



COMMONWEALTH OF VIRGINIA

Department of the Treasury

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December 17, 2007

MEMORANDUM

TO: Commonwealth School Superintendents

FROM: J. Braxton Powell, on behalf of
James J. Wheaton, Chairman, Virginia Public School Authority

SUBJECT: Virginia Public School Authority School Financing Bonds
(1997 Resolution) Series 2008 A

The Virginia Public School Authority ("VPSA") is moving forward with the sale of its School Financing Bonds (1997 Resolution) Series 2008 A, tentatively scheduled to sell on or about April 16, 2008, with funds becoming available to localities on or about May 15, 2008. The purpose of this memorandum is to provide localities with notice of the sale and direction to the electronic information regarding the application for inclusion in the financing.

The electronic information package, including the application forms, is available at the Department of the Treasury home page on the Internet at:

http://www.trs.virginia.gov/Debt/vpsa_appl.asp

This package will better acquaint you with the VPSA financing program. Please access the Internet address shown above to secure the forms and instructions needed to submit an application for participation in the Series 2008 A bond sale. The information includes:

- < Attachment A - Background information on VPSA, State Aid Intercept and State Non-Arbitrage Program ("SNAP[®]")
- < Attachment B - Application for participation in the bond sale
- < Attachment C - Tentative financing schedule

The application is divided into three sections; (i) General Information, (ii) Project Information and (iii) Project Authorization. Sections (i) and (iii) must be fully completed by every applicant. Section (ii), Project Information, provides for either long-term project financing (e.g., eleven years or longer financing) or intermediate-term project financing (e.g., equipment financing). Please complete the appropriate questions according to the useful life of the project(s) being financed.

VPSA structures its financings to purchase each locality's local school bond for a price substantially

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equal to the amount of proceeds the locality has requested. This method of structuring is intended to assure that the purchase price VPSA pays will finance projects adequately and at the same time accommodate the range of possible loan maturities and amortization schedules within the participant pool. As in prior transactions, actual market conditions will be evaluated in the pricing and sizing of the transaction. VPSA expects to resize, to the extent permitted, the par amount of local school bonds on the VPSA sale date. For example, if a locality's requested loan maturity and amortization schedule results in a local school bond that is valued at a price of par plus a premium, VPSA intends to decrease the par amount of the bond to the extent necessary to provide proceeds approximately equal to, but not less than, the amount of proceeds requested. Conversely, if a locality's requested loan maturity and amortization schedule results in a bond that is valued at a price of par less a discount, VPSA is willing, at your request, to increase the amount of bonds sufficient to generate the proceeds requested. To do so the locality must authorize additional bonds (up to 5%) in excess of the amount of proceeds requested.

In general, VPSA would expect to downsize the par amount of local school bonds with relatively more rapid amortization schedules (shorter maturities, level principal) and to upsize the par amount of local school bonds with relatively slower amortization schedules (deferred principal, longer maturities, level debt service). **Because VPSA cannot predict the interest rate coupon structure of the winning bid, VPSA requests that each locality authorize a "not to exceed" or "up to" principal amount of bonds that is in excess of the amount of proceeds requested. In the event a locality's bond structure would result in a discount purchase price and no additional bonds have been authorized in excess of the proceeds requested, the resulting purchase price paid will reflect the discount. This would result in a purchase price less than the proceeds requested.**

Should you require a minimum or specific amount of proceeds (for example, an amount needed to refund an interim obligation); please provide this amount on the application form. In order to meet specific proceeds requests, it will be necessary to have sufficiently broad bond issuance authority to accommodate adjustments in the par amount of local school bonds issued at the time of the VPSA bond sale. Documents, particularly any resolution to be approved by your locality's school board or governing body, should be prepared accordingly.

As you complete your application, examine the schedule, included as Attachment C hereto, carefully. Please note that given the requirements for governing body and school board meetings, public notices and a public hearing, you must procure the services of a qualified bond counsel prior to submitting your application to participate in the VPSA Series 2008 A bond sale. We anticipate that the local school bonds will pay interest semiannually on January 15 and July 15. The first interest payment would be due on **January 15, 2009** and the first principal installment would be payable on **July 15, 2009**. **Localities wishing to participate in the VPSA Series 2008 A bond sale must email a letter expressing interest in such participation along with the completed application form electronically by February 15, 2008 to vpsa@trs.virginia.gov.**

Please ensure that the minutes for any resolution/ordinance taken by your school board and board of supervisors/council enumerate by name each board/council member voting, and the

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member's vote (or abstention). The Virginia Supreme Court in Town of Madison v. Ford held that the minutes of the town council's meeting stating that all members were present and that the motion to adopt ordinance carried unanimously, were **insufficient** to comply with Article VII, Section 7 of the Virginia Constitution. That provision states, "On final vote on any ordinance or resolution, the name of each member voting and how he voted shall be recorded." The forthcoming Bond Sale Agreement resolution forms will accommodate this requirement.

The application requires that the school board submit a resolution authorizing the application. Please submit a signed copy of the resolution with your application. If it is not possible to submit the resolution with the application, please forward the resolution to the VPSA no later than February 21, 2008. **A resolution of the governing body approving the application is no longer required as part of the application process.**

As noted above, a copy of the application may be obtained at the Department of the Treasury home page on the Internet at http://www.trs.virginia.gov/Debt/vpsa_appl.asp.

Should you have any questions, please do not hesitate to call Rick Davis at (804) 225-4928, Connie Vaughan at (804) 225-2268 or Melissa Palmer at (804) 225-4926.

JBP:mwp

Attachments

c: VPSA Board of Commissioners
Evelyn R. Whitley
Director of Debt Management
Richard A. Davis
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Connie O. Vaughan
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